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Article

Howzat? The Financial Health of English Cricket: Not Out, Yet

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Abstract: In 1997 a review of the financial health of English county cricket highlighted strategic weaknesses within the professional game, principally an over-reliance by clubs on the annual grants provided to them by the England and Wales Cricket Board (ECB). Without such grants the teams, in general terms, would be insolvent. Using the financial statements of the First Class Cricket Counties, this paper explores how the financial position and performance of the county game has changed, 20 years on from the seminal study. A series of structural changes to the game had been made, yet financial problems are still evident. Counties are as reliant on central grant income as they were in 1997, although there are cases where clubs have made strategic enhancements and are becoming self-sustainable as going concerns. Rather than the ECB directly funding county revenue it should be working in collaboration with individual clubs to achieve developments in the game from the grassroots upwards, in order to help clubs grow their own revenue streams.

Keywords: finance; financial health; cricket; professional team sport; profit maximisation; subsidy; grants

JEL Classification: G, Z2, Z23

1. Introduction

In 1997, just over 20 years ago, a paper published by Shibli and Wilkinson-Riddle in the *Journal of Applied Accounting Research* examined the financial health of English county cricket, specifically the finances of the 18 first-class counties. The article highlighted strategic weaknesses within the professional game, principally an over-reliance by clubs on the annual grants provided to them (to support income generation) by the England and Wales Cricket Board (ECB), essentially rendering the teams, in general terms, insolvent should the grants ever be removed. The grant money from the ECB remains and constitutes a distribution of international match-related revenues driven by the England National Team and is, therefore, dependant on the national team's sporting success and attractiveness to spectators, sponsors and broadcasters. Additionally, Shibli and Wilkinson-Riddle (1997) confirmed that an extremely low proportion of clubs' total revenue came from the paying public watching county cricket, that levels of debt at some clubs were unsustainable and that without the ECB hand-outs many clubs would cease to exist as a going concern.

To that end, we set out to examine the current financial health of the domestic game, 20 years on, in 2018. Cricket, from a participation perspective, is second only to football in England, yet the professional game has not seen the revenue growth, at the elite end, in line with football, yet there have been major developments in the domestic game during the last 20 years in terms of its changing format and structure. Indeed, in 2002, the ECB realised it had to open the game up to new audiences to reverse the trend of dwindling attendances and financial uncertainty affecting the 18 counties. The advent of Twenty20 (T20) cricket came in 2003 and it was a revolutionary step forward, as matches could take place after work and last for no more than three hours. Most importantly, the domestic

T20 season was scheduled to take place during the school summer holidays, making it particularly attractive to families. T20 was a ground-breaking success; matches were regularly played to sell-out crowds and have become an important revenue stream for counties. Stuart Robson former Head of Marketing at the ECB stated:

“£200,000 of ticket revenue would have been double the amount derived from any other competition. It was a proper cash cow to those smaller grounds and a life saver. Without Twenty20 at a professional level the domestic game in this country would be in a very precarious state by now. (The Independent, 2017)”

This fundamental shift in the English cricket landscape can be seen around the world, with the introduction of various franchise-based competitions, most notably the Indian Premier League and Big Bash in Australia, which have become lucrative multi-million pound leagues (The Guardian 2017a). The ECB reacted and recently introduced a new franchise city-based T20 format due to launch in 2020 in an effort to maintain its market share (The ECB 2018).

The emergence in popularity of One Day Internationals (ODIs) has led to new broadcasting contracts being agreed with Sky and the BBC. These new arrangements provide broadcasting revenue totalling £1.1 billion over a five year period from 2020–2024 (The Guardian 2017b). Not only is this £220m-a-year deal worth nearly three times what Sky is paying for current exclusive rights (£75m-a-year) but it will also see live coverage return to free-to-air television for the first time since 2006—a statement that perhaps suggests that the move to a subscription only model might have removed the game from the eyes of the masses and impacted negatively on grassroots participation. This deal will also allow the ECB to meet its promise of providing central grant money to the 18 counties of £1.3 m each. However, as we have seen historically, counties have perhaps been over-reliant on this grant in the past (Shibli and Wilkinson-Riddle 1997).

The dichotomy between on-field and off-field performance in professional team sports, exacerbated by the commercialisation of sport during the last two decades, according to Wilson and Plumley (2017), and the need for clubs to balance both financial and sporting performance has led to a multitude of academic papers in the area of sport finance. Sport teams tend to be fairly unique entities with the majority strategically positioning themselves to maximise performance both on and off the pitch, whilst simultaneously satisfying a number of different stakeholders.

As previous research suggests, reconciling the “on-field/off field” equation in professional team sport is not easy and it has proved a highly contentious issue in recent years (Chadwick 2009). Often, discussion transcends towards what has been labelled the ‘twin’ objectives of professional sports teams (e.g., Plumley et al. 2017). One is financial, in relation to business operations, and the other is sporting, in relation to on-pitch performance and trophy success.

There is also substantial academic literature, which considers the relationship between financial and sporting performance in professional team sports (e.g., Kesenne 2000; Garcia-del-Barro and Szymanski 2009; Sloane 2015; Szymanski and Kuypers 1999). Historically, much of the wider literature has pointed to these ‘twin objectives’ being at odds with one another and creating ‘financial crises’ at the club level as sporting objectives supersede financial decision making, plunging clubs into operational losses. Most notably, this literature has focused on European football across a number of different countries (e.g., Andreff 2007; Barros 2006; Buraimo et al. 2006; Dietl and Franck 2007). Notwithstanding this historical narrative, the financial problems in football, at least generally, appear to be abating, in part through stricter regulations aimed at financial sustainability and encouraging clubs to spend within their means (e.g., UEFA Financial Fair Play) although there are still some problems at individual club level. However, financial problems are not only exclusive to football in relation to professional team sports in the UK. Previous research has also highlighted financial problems in rugby union (e.g., O’Brien and Slack 1999, 2003; Williams 2012; Wilson and Plumley 2017) and rugby league (Wilson et al. 2015). However, aside from the paper by Shibli and Wilkinson-Riddle (1997), there is a lack of literature available on the financial health of county cricket in the UK.

Consequently, the primary aim of this paper is to analyse the current state of the UK County Championship and its member clubs in an attempt to understand the financial climate of the game in 2018. This will help determine whether each cricket county is an attractive product, within the UK professional sport system, and are capable of fulfilling the fundamental requirements of a league association. Our data focuses on the 18 first-class counties that take part in the County Championship. The financial information pertains to all business aspects of the clubs including their respective one-day and T20 teams and whether or not they host international matches or other events at their grounds. This approach allows for a holistic measurement of financial performance in respect of these clubs and helps to determine whether each club would meet a going concern requirement were central grants ever withdrawn. The remainder of this paper is structured as follows. First we consider the theoretical context of accounting theory and professional team sports before considering the literature available on the County Championship itself. Following this, the paper discusses the methods applied and the findings before concluding with the key challenges that the sport faces and highlighting the potential areas of growth for the sport in the future.

2. Theoretical Framework and Literature Review

2.1. *On Truth and Fairness in Accounting Policies*

We structure our theoretical framework on accounting policies and practice on the argument of the contested nature of a conceptual framework for accounting, a topic that is prevalent in much of the extant literature. We use this as a guide to state that whilst the analysis of financial information may still be debated in relation to the techniques used, and the figures contained within in annual reports, there is still a regulatory framework in place that companies have agreed to adhere to (especially in the UK). As such, we argue that despite the inconsistencies in the literature presented below, the measurement and analysis techniques used in this study are rigorous and appropriate based on the data we put forward.

Firstly, let us define the term ‘conceptual framework’. International Generally Accepted Accounting Principles GAAP (2005) state that, in general terms, a conceptual framework is a statement of generally accepted theoretical principles which form the frame of reference for a particular field of enquiry. In terms of financial reporting, these theoretical principles provide the basis for both the development of new reporting practices and the evaluation of existing ones. Since the emphasis of financial reporting is on the provision of information that is useful in making business and economic decisions, a conceptual framework will form the theoretical basis for determining which events should be accounted for, how they should be measured and how they should be communicated to the user. Therefore, a conceptual framework for financial reporting must be substantially practical in its application (International GAAP 2005).

Much of the critique surrounding the conceptual framework of accounting centres on the struggle to distinguish the separation of accounting from societal happenings. Indeed, Hines (1991) suggested that the conceptual framework is elaborated around a highly problematic conception of the relationship between financial accounting and economic reality. The view of Hines that the meaning and significance of conceptual framework projects is not so much functional and technical, but rather social and cultural is shared by a number of other authors (see for example, Boland 1989; Burrell 1987; Hopwood 1990; Miller and O’Leary 1987; Richardson 1987; Tinker 1988; Willmott 1986). All of these authors argue that financial accounting practices are implicated in the construction and reproduction of the social world. Furthermore, the conceptual framework projects similarly play a part in the process of the social construction of reality (see for example, Booth and Cocks 1989; Hines 1991). One of the main arguments here is that accounts, and the numbers contained within them, can be manipulated subjectively.

This view is shared in a recent article by Sunder (2016) who states that conflicts among the claims of the shortcomings of financial reporting point to the political elements of the problem inherent in collective choice in society. Since ‘better’ in this context (the accounting policies) depends on the interest group whose perspective is chosen for analysis, politics lies at the heart of accounting policy.

Thus, Sunder (2016) argues that any regulations should also consider social norms and market competition.

There has also been considerable focus in accounting literature on the transition from Historical Cost Accounting (HCA) to Fair Value Accounting (FVA) which occurred in 2005. For a more historical overview of both these policies, readers are referred to Georgiou and Jack (2011). The move to FVA appears to have been largely positive yet it is still difficult to detach the practice from societal influences. The move towards fair value measurement is frequently characterised as a shift in paradigms (e.g., Barlev and Haddad 2003, p. 383). Accordingly, with respect to financial reporting, a paradigm is defined as a set of shared beliefs on the objectives of financial reporting and on the accounting principles by which these can be achieved. It is grounded in elaborated assumptions, and characteristically requires a theoretical foundation or vindication. Once a financial reporting paradigm is adopted by regulatory bodies, it becomes the guiding principle for accounting regulation, that is, standard-setting (Hitz 2007).

Fair value accounting is, put simply, an income definition that anchors on changes in assets and liabilities rather than on the vague notion of 'nondistortion' (Bevis 1965, p. 104), which had increasingly been perceived as a pretext for discretionary definitions of balance sheet positions. Additionally, researchers and regulators felt uncomfortable with a balance sheet that had no informative purpose of its own (Hitz 2007). However, despite being the dominant practice in present day accounting, FVA is still not without its critics. It is argued that the concept of 'fair value' measurement emerged in financial accounting and was accepted in the abstract long before it was a subject of analysis and dispute (Bromwich 2007). Furthermore, 'fair value' is not, itself, a single measurement methodology, but encompasses a variety of approaches for the estimation of an exit value. Therefore, it is hardly surprising that many of the arguments which have been developed for and against the use of fair values in accounting are not well-supported by evidence (Laux and Leuz 2009); with disputants often talking past each other.

It is evident from the literature that throughout history the legitimacy of accounting practices and principles has been questioned. Furthermore, there are also implications and challenges based on the qualitative characteristics of accounting information, namely reliability, relevance, comparability and materiality. In the profession of accounting, the debate between FVA and HCA, it appears, is likely to be prolonged, as the unintended consequence of more firmly embedding an acceptance of the appropriateness of fair values for some balance sheet items has been to confer further pragmatic legitimisation for mixed measurements in annual reports. It is possible that moral and cognitive arguments in favour of mixed measurement may emerge, or the debates on cost or value based accounting continue, as they have done for over a century. The emergence of new reporting forms should be carefully observed and recorded, as a basis for a longitudinal study of the diffusion of practice and processes of legitimacy (Georgiou and Jack 2011).

The authors acknowledge that accounting theory remains a contested issue, but accounts have to be prepared in line with accounting principles and the current standards in place. Furthermore, accounts are prepared with a 'true and fair' view and decision usefulness in mind and the supporting of financial figures with qualitative characteristics of accounting information provides a reliable and valid framework upon which analysis can be undertaken. In respect to English Cricket, clubs are subject to compliance with FRS 102 rather than international accounting rules, although there is overlap between the two.

2.2. *The Economic Theory of Professional Team Sport*

Professional team sports are intrinsically different from other businesses, in which a firm is likely to prosper if it can eliminate competition and establish a position as a monopoly supplier (Dobson and Goddard 2011), being profitable and responsible for earned revenue, in this context, naturally provides competitive advantage; you can afford to pay players higher wages for example. In sport, however, it does not pay for one team to establish such a position due to the joint nature of 'production' in sports. With this in mind, it is paramount for league organisers that their 'product' on the pitch is a contest between equally matched opponents. The practical economic problem with

this notion, however, is that professional sport leagues form imperfectly competitive natural cartels where games are played between teams with asymmetric market power (Vrooman 2015). Sport teams might not be able to eliminate the competition, but they still try to be dominant over the rest. Ultimately, the ‘biggest’ clubs, often in respect of size, resources and fan base, tend to win more than they lose. As a result, professional sport teams operate in a uniquely eccentric environment and comparisons between the economic environment of professional team sports and that of more traditional commercial businesses have been well documented by sports economists (e.g., Dobson and Goddard 2011; Leach and Szymanski 2015).

Thus, a key priority for professional sport leagues is the economic concepts of uncertainty of outcome, competitive balance and profit and utility maximisation (e.g., Buraimo et al. 2015; Fort 2015; Kesenne 2015; Leach and Szymanski 2015; Sloane 2015; Vrooman 2015). Much of the historical literature surrounding professional team sports was developed by US sport economists and focused on North American team sports. Naturally, over time, the literature has evolved to compare the North American and European model of professional team sports (see Hoehn and Szymanski 1999; Andreff and Staudohar 2000; Sloane 2006; Szymanski 2003). There are distinct differences between the two models notably draft systems, revenue sharing, salary caps and closed league systems with no promotion or relegation between leagues (regulatory policies that are in place in North American team sports but not in the European model). Despite these differences, there has also been some convergence between the two models on certain features. In both Europe and the North America, sports leagues are joint ventures that can be viewed as a single entity. Clubs are separately owned with discretion to set prices, market the games, and adopt strategies to compete with other clubs. However, such strategies must be executed under the regulations of the league.

Precisely why such differences have arisen in the two continents has never been fully explained (Sloane 2015). However, Szymanski and Zimbalist (2005) contrast the development of baseball and soccer, with the latter spreading throughout the world, first under the influence of British expatriates and then by local elites, whereas baseball was much more inward looking and concerned with commercial development. Previous literature has argued that profit maximisation is the prime objective of North American leagues and team owners, so profitability is the main factor influencing decisions concerning the award of franchises and relocation (Dobson and Goddard 2011). Contrastingly, other authors have suggested that the European sports model is more closely related to utility or ‘win’ maximisation (see Sloane 1971; Kesenne 2000; Garcia-del-Barro and Szymanski 2006).

3. The County Championship

The County Cricket Championship is unusual in many ways when compared against received economic theory. This is because it has historically taken elements of both models of professional team sport (European and North American) to structure its competition. It is also the only team sport in the UK where clubs receive central grant money from the governing body (England and Wales Cricket Board (ECB)). The origins of the competition can be traced back to 1890 but the present day format began taking shape around the mid-1960s when bonus points were introduced to the scoring system alongside the already established points system relating to wins and losses. Up until 2000, all member teams competed in one league with no promotion and relegation and entries to the league decided on an application basis. This mirrored the North American style model for professional team sport outlined in the previous section. However, post-2000 the league has been split into two divisions with promotion and relegation between them. Originally, there were three teams promoted and relegated between divisions although this has since been reduced to two teams since 2006.

In some respects, the County Championship bears some resemblance to rugby league’s Super League in this regard. When the Super League was formed, it can be argued that the plan was to take elements from both models of professional team sports. Essentially, rugby league was attempting to replicate the English Premier League in football whilst maintaining American team sport principles of salary caps and no promotion or relegation (up until the 2014 season). Wilson et al. (2015) argued that Rugby League is, in global terms, a minority sport but has clearly been modernised in recent

times through the advent of subscription television and other global processes. It could be argued that cricket is in a similar position in the UK as it battles with both rugby league and rugby union to be the second most popular sport behind football.

The challenges facing cricket's County Championship are not new. Indeed, Ammon (2017) began a media piece on the beginning of the County Championship season with the following quote:

"The beginning of every new cricket season brings with it reports of county cricket in demise, accompanied by pictures of a solitary, cold supporter in a stand, surrounded by rows of empty plastic seats. It is the stereotypical image of county cricket watched by a man and a dog, and of its impending death - killed by public apathy and crippling financial issues. For as long as I can remember, people have been prophesying the death of county cricket (Ammon 2017)"

The article goes on to state that the clubs themselves still appear reliant on the central grant money from the ECB, that county game attendances are modest and that participation in the sport itself has been declining in recent years (Ammon 2017). Again, similarities can be drawn here with rugby league and the findings of Wilson et al. (2015) who outlined a similar picture in rugby league. This combination of factors appears unsustainable at league level but for as long as the county clubs are operating as going concerns, producing players for the international England team and producing entertaining cricket, is cricket just doing its job? The evidence in other sports is that the league and its member clubs would be better off becoming more self-sustaining entities, particularly if the financial position of the ECB was to weaken in the future and central grant money had to be cut.

One piece of positive news in relation to this is the recent broadcasting deal that has just been agreed with Sky Sports and BBC which will see live domestic cricket return to terrestrial television for the first time since the 2005 Ashes series (BBC, 2018). Not only that, but the deal is worth a record total of £1.1 billion running for five years and commencing in 2020. However, as part of the deal, the ECB has stipulated that it will increase the central grant money to clubs. This is fine in principle but, again, highlights the issues facing the County Championship and its reliance on ECB central funding.

To that end, and given the context outlined in the introduction, now is a worthy time to study the financial state of play in respect of the County Championship and its member clubs. There have been a small number of academic articles in relation to cricket but these have historically focused on institutional change (Wright and Zammuto 2013), the globalisation of the sport (Gupta 2004), brand extensions and facility utilisation (Pritchard 2016) and the market valuation of cricket players (Saikia et al. 2013). To the authors' knowledge, this is the first paper of its kind to focus on the financial performance of English cricket clubs since the seminal paper by Shibli and Wilkinson-Riddle in 1997.

4. Methods

Data for this research was obtained by analysing the annual accounts of the 18 first-class counties for the last three years available at the time of writing, covering financial data from 2014–2016. Financial data was not available for two clubs in certain years (Worcestershire (2014) and Middlesex (2016)) whilst the accounts for Northamptonshire do not reveal the total figure of ECB grant income that they receive.

Analysis was performed using recognised industry techniques (see Wilson et al. 2013). Financial results were analysed in relation to the five key areas of financial performance—all relevant to professional sports clubs and investment. These were: growth, profitability, ROCE (return on capital employed), liquidity and defensive positioning. The first three indicators relate to an organisation's ability to generate profit and return for its owners and also to maintain a sustainable future. The latter relate to an organisation's ability to meet its liabilities as they fall due and also how certain organisations are financed and how much capital is made up of debt finance. Ratio analysis is a widely used technique to measure financial performance across a number of industries and organisations including, but not limited to, the airline industry (Feng and Wang 2000), power/energy industry (Sueyoshi 2005) and the manufacturing industry (Ponikvar et al. 2009).

Alternative models for analysing performance in professional team sports have been excluded on the basis of accessibility to data, particularly in relation to the financial statements of county cricket clubs. Chadwick (2009) outlined that performance measurement in sport has to include both the financial and the non-financial and it is important that this paper considered non-financial factors as well when analysing the current state of the game. It is this holistic approach to data collection and analysis that is the key benefit from a methodological perspective and it also provides a further robustness to the subsequent results and discussion.

5. Financial Health

In respect of turnover, there appears to be a polarisation between the counties that host international test cricket and those that do not (see Figure 1). This point is further underlined by the four highest average turnover figures relating to four counties who have historically regularly hosted test cricket (Surrey, Warwickshire, Lancashire and Nottinghamshire). Indeed, Surrey's average revenue of around £27 m for 2014–2016 is particularly impressive compared with the revenue profile of the 17 other counties. Although a regular spot on the Test match rota bolsters Surrey's finances, it has developed new revenue streams utilising its facilities to host conferences and events.

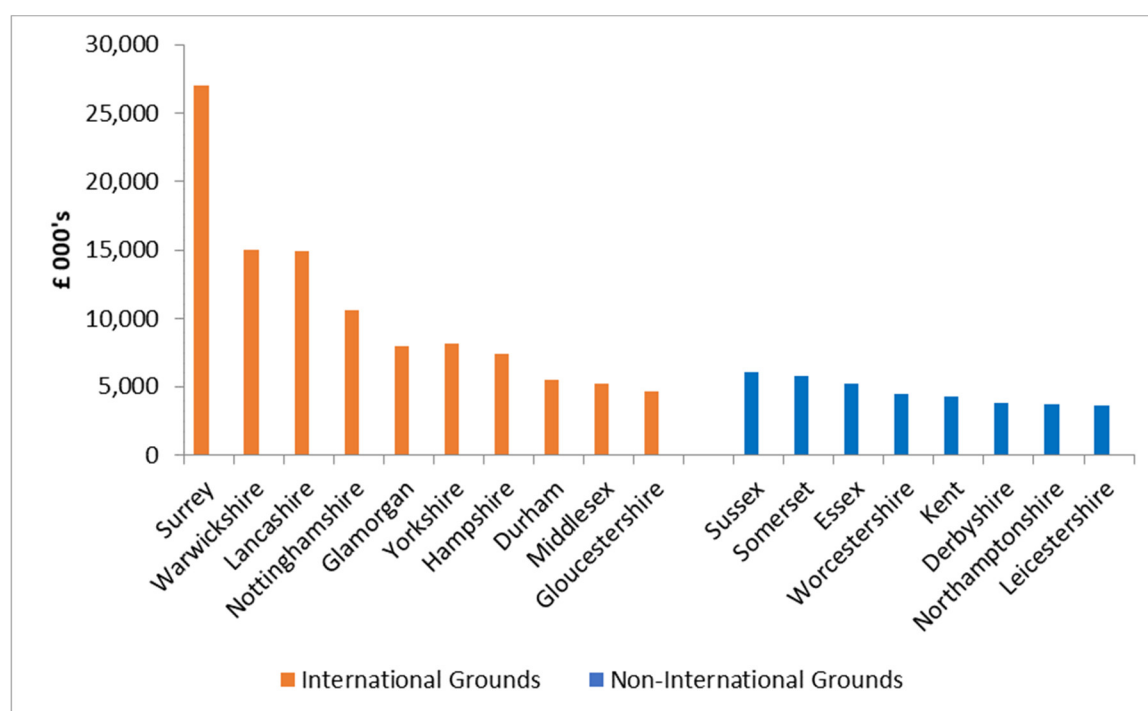


Figure 1. Average turnover in £000s (2014–2016).

Furthermore, of the counties that have relatively low revenue, a high proportion of this is attributable to the ECB grant income. In some cases, this ECB grant income accounts for over half of a club's total revenue (Middlesex, Worcestershire, Kent, Derbyshire, and Leicestershire) (see Figure 2).

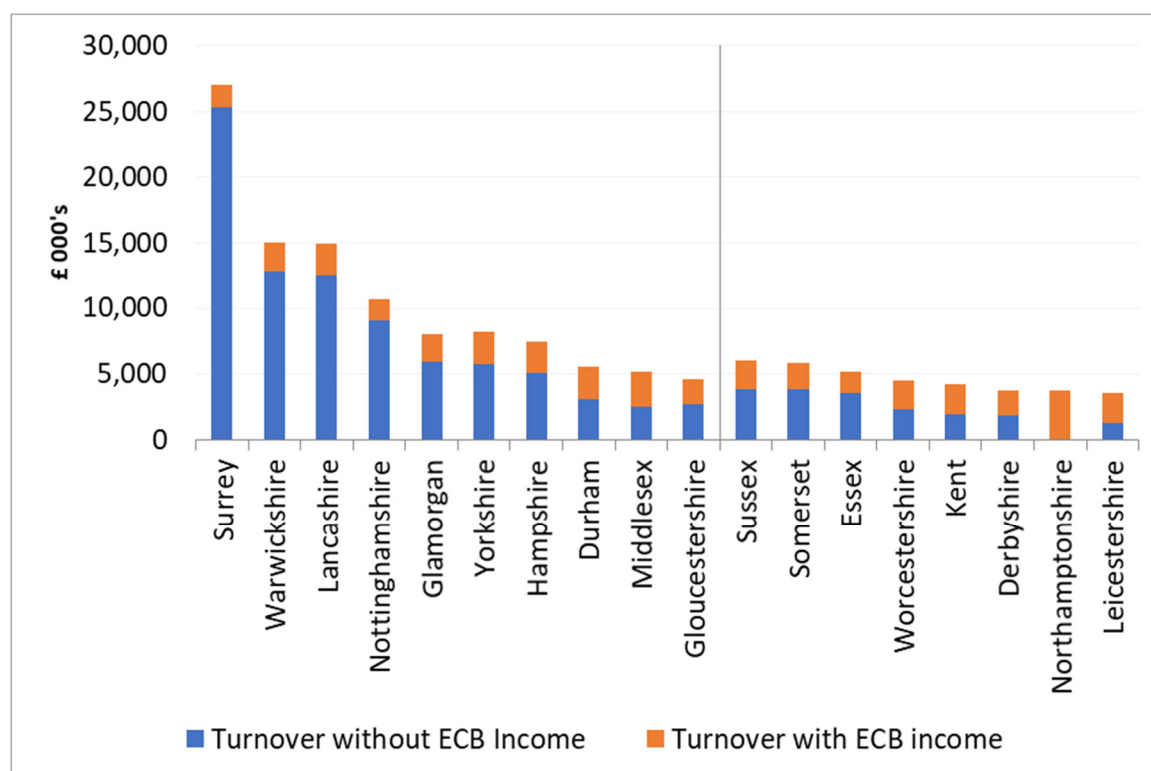


Figure 2. Average 'earned' vs. 'unearned' income in £000s (2014–2016).

This finding leads to further financial problems, in respect of general financial health, when considering profitability (see Figure 3). A number of clubs are just about breaking-even taking into account the subsidy from the ECB and if we were to hypothetically remove this income then only Glamorgan would still have posted a net profit overall for the time period studied. This point suggests that, from a revenue perspective at least, there is an over-reliance on 'unearned' income from the ECB.

The ECB continues to support the domestic game (and other aspects of the sport down to grassroots level), which is obviously a positive for the clubs. However, this relationship is dependent on two things; (1) that the clubs do not become over-reliant on this central grant (which it appears some are) and (2) that the ECB can continue to afford the central grant payments to the county network. At the present time, the ECB appears to be capable of doing this and plans its business activities on a four-year cycle to include lucrative home Test series against Australia (The Ashes) and India. However, the ECB states that the central grants is one of its largest areas of expenditure and in the most recent set of accounts (year ending January 2017) the ECB's administrative expenditure increased by £23.0 m during the year from £114.2 m to £137.2 m—attributable to the increased level of distributions made to the counties.

Overall, 11 of the 18 counties have a debt ratio of over 75% (a percentage that is considered a cause for concern when considering financial health). For two clubs, Yorkshire (110%) and Lancashire (108%) the debt ratio is over 100%. Indeed, the average balance sheet debt for the 18 first-class counties stood at £14.46 m for 2014–2016 although within this there was large individual debt figures attributed to Yorkshire (£33.7 m), Warwickshire (£35.8 m), Surrey (£36 m) and Lancashire (£53.5 m). Some clubs posted a much better figure in respect of average balance sheet debt with Sussex, for example, having a debt ratio as low as 14% and average balance sheet debt of £1.7 m.

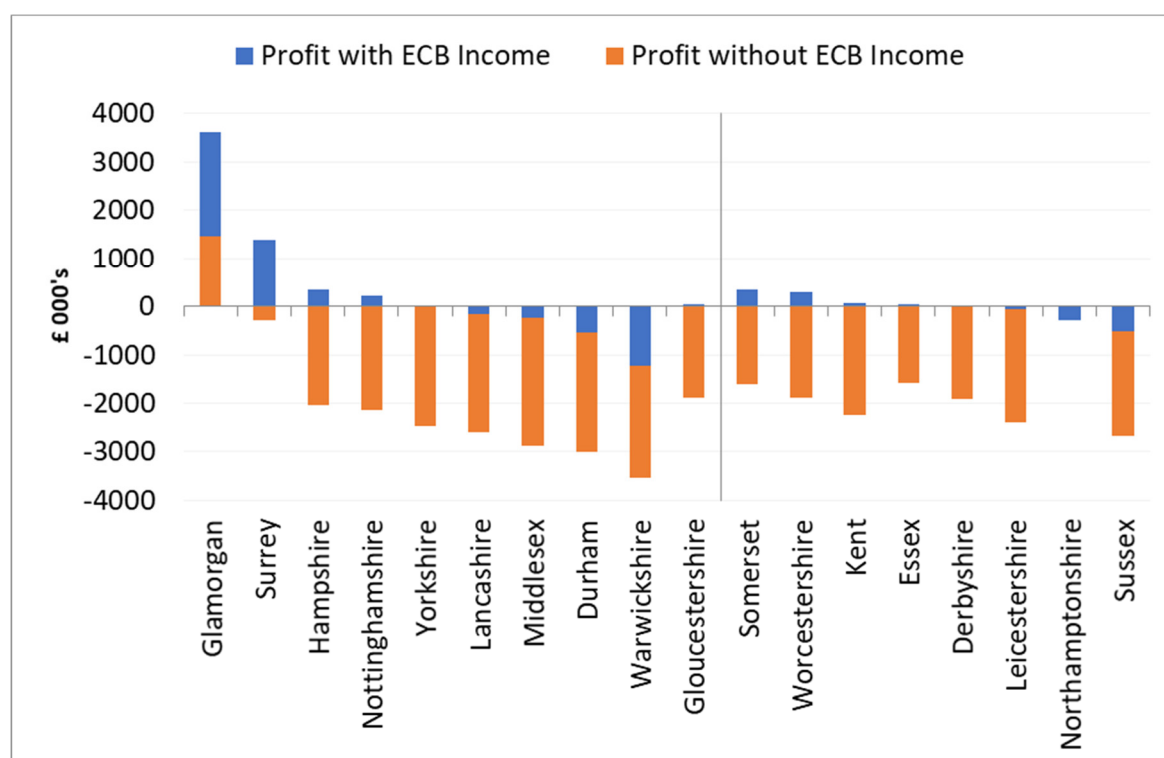


Figure 3. Average profit/(loss) in £000s (2014–2016).

5.1. Dominating the Game

In financial terms Surrey is leading the way, as shown in Figure 2 its average turnover over the last 3 years is almost twice that of its nearest rivals (Warwickshire and Lancashire). Surrey's fiscal dominance is built on the foundations of guaranteed international Test cricket, as it always hosts the last Test match of the summer, which is usually against a high profile opponent. Geographically, being based in London Surrey can charge a premium for international tickets and The Oval is the second largest cricket ground after Lords. International fixtures are typically sold out, which puts an added importance on one of the main benefits of being a Surrey member, as members gain priority access to international tickets.

Since the re-vamped domestic T20 competition has moved to Friday nights, Surrey has seized this opportunity to increase revenue. The club have marketed these T20 fixtures to families with family only sections, cheap tickets and child-friendly activities; as well as to young professionals as events for post-work socialising whilst watching the cricket. This new approach to marketing has resulted in a high-demand for tickets and the majority of Surrey's home T20 matches are sold out.

The area which sets Surrey apart from the other counties, is the revenue it gains through the use of its facilities to host corporate events and conferences. Figure 4 shows a breakdown of Surrey's revenue from the 2016 financial year, 46% of revenue came from 'Oval Events', which are these non-cricketing events. This sum is more than the revenue from the ECB Grant, international matches and domestic matches put together. To put this finding in to further perspective, this single revenue stream if set against other counties total revenue, would sit third behind only Lancashire and Warwickshire. These non-cricketing events are vitally important to counties as they bring in revenue all-year round, as grounds are not used for cricket between October and March.

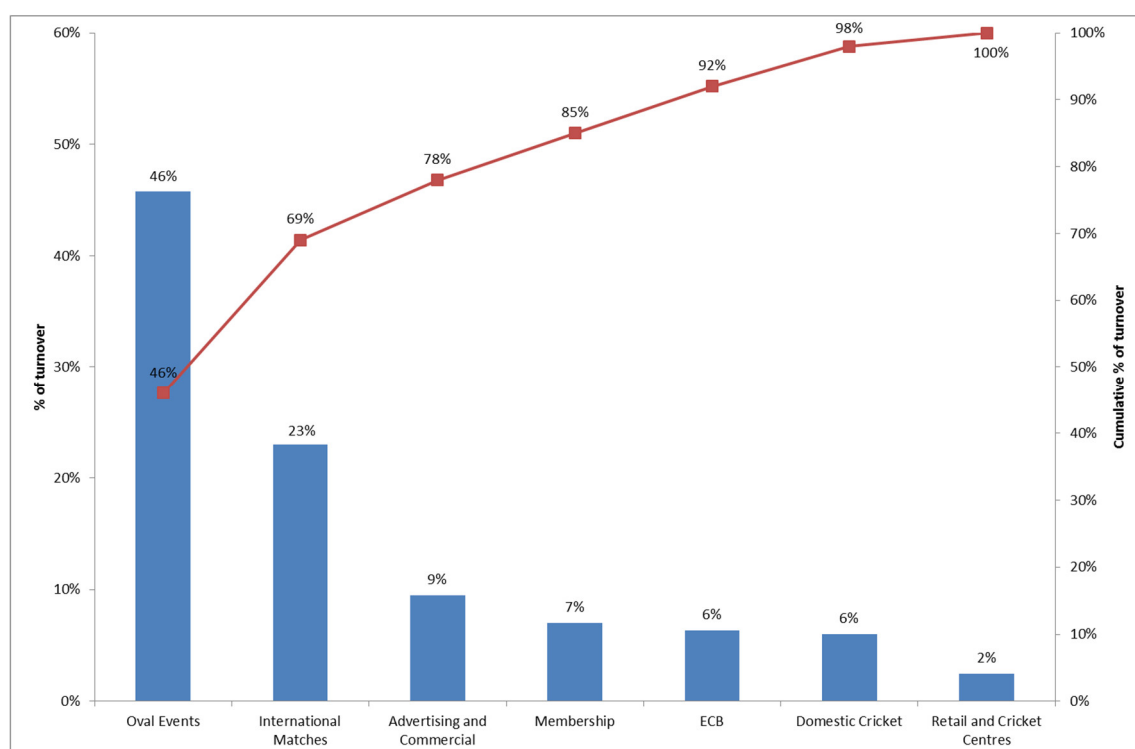


Figure 4. Breakdown of Surrey's 2016 turnover.

To develop this funding stream further and increase capacity of The Oval, planning permission has been granted to build new conference facilities and additional tiers on the adjoining stand, which will see capacity increase to just under 28,000 (Surrey CCC 2018). This capital investment will cost around £55 million, which when compared with other counties is a monumental sum. However, with a healthy balance sheet and revenue growth expected, this is a sensible venture for the club that will only increase the financial gap between itself and the other counties.

5.2. Contrasting Fortunes

In 1992, Durham County Cricket Club (DCCC) was accepted into first-class cricket to become the 18th first class county to compete in the County Championship. This was the first time a new county had been introduced into the County Championship since Glamorgan in 1921. Durham's vision was to bring cricket back to the North East of England, with a long-term ambition to regularly host international matches in the county. In 1996 the club moved to its new purpose built ground The Riverside. For the 1999 Cricket World Cup, Durham was awarded two group matches (Pakistan vs. Scotland and Australia vs. Bangladesh). The continued transformation of the ground was assured when the ECB awarded Durham its first England international, to host an ODI against the West Indies in 2000. The county received Test status in 2003 and hosted its first ever Test match when England faced Zimbabwe that summer. This was a landmark moment for the club as it was the first new Test ground since 1902 and signalled Durham's competency in hosting international matches, as it was placed on the list of grounds that would host at least one international match each summer.

With the guarantee of seemingly lucrative international cricket revenue, Durham began to invest more capital in facilities and upgraded The Riverside to increase capacity and improve the spectator experience. Figure 5 shows Durham's last 10 annual turnover figures, it is noticeable that the three years with the highest annual turnover are when it hosted a Test match (2007, 2009 and 2013). The year 2013 was ground-breaking as Durham was awarded an Ashes Test match; previously it had only hosted the 'lesser' Test matches. However, to secure the Ashes Test match, the club had to invest heavily in the bidding process to the ECB. As a result for the Ashes Test match the club had to charge a significant fee for tickets in order to see a return on its investment. Although the club saw record

turnover in 2013 and achieved an operating surplus, this was a one-off year. Even though the staging of the Test match was successful, with the first three days being a sell-out, Durham was still down the pecking order below the established Test grounds and, therefore, not guaranteed a Test match every summer.

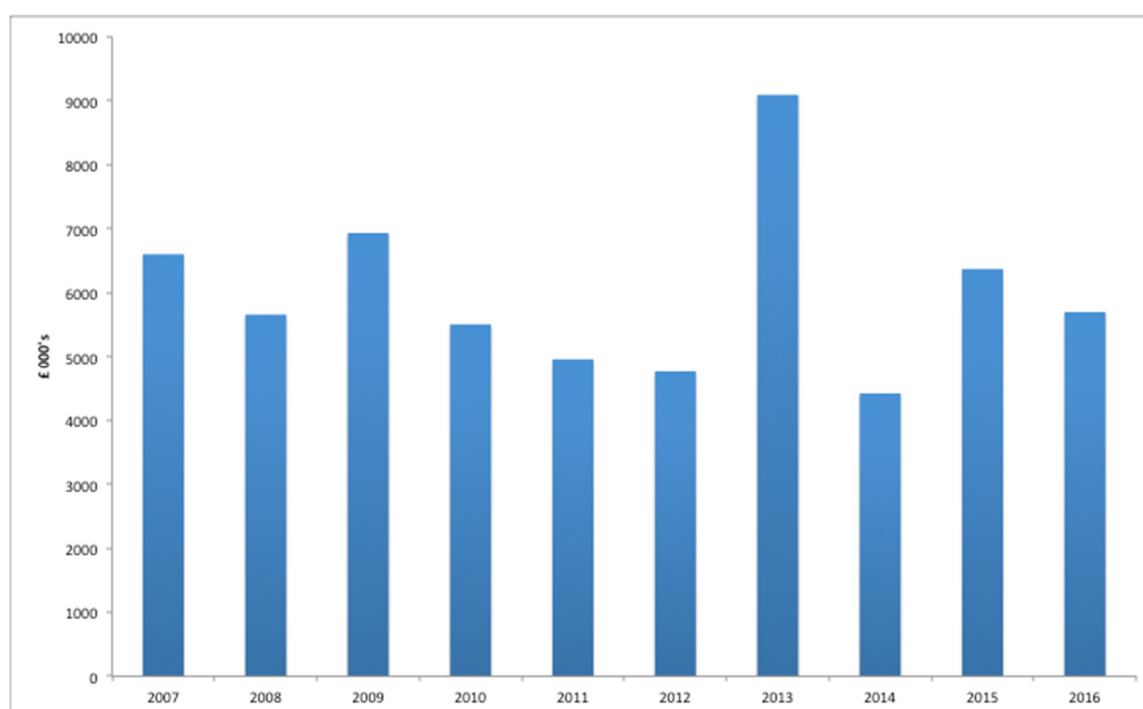


Figure 5. Durham's annual turnover 2007–2016.

In 2014, a year after the Ashes Test match, Durham hosted an ODI against Sri Lanka in May, which is not the premier slot in the English cricket summer. This step down in the prestige of its international cricket offer had a significant negative impact on the county's finances. Turnover halved compared with the 2013 Ashes year, which resulted in an overall £1.1 million deficit. The club knew it could not rely on the lucrative international fixtures as their main source of income, therefore focused on growing the revenue from T20 fixtures, which had moved to a more marketable Friday night slot during the 2015 season. Six permanent floodlights were installed to allow day/night matches to be played and the county's T20 team was re-branded to the 'Durham Jets'. In addition, the club sought to identify new revenue streams by planning to build a hotel and conference facilities on the site of The Riverside (DCCC Annual Report 2015).

The last Test match Durham hosted was against Sri Lanka in 2016, which again was in the early part of the English cricketing summer. The result was the lowest turnover of the four Test match hosting years (2007, 2009, 2013 and 2016). Figure 6 displays Durham's debt ratio over the last 10 years. As previously stated anything over 75% is considered a cause for concern and Durham apart from 2009 and 2010 has consistently exceeded this figure. The club's growth has been reliant on external borrowing to fund capital investments, mainly from Durham County Council. However, the club's financial health demonstrates a lack of liquidity with their cash-flow focused on, and around, the cricketing summer (April to September). Unfortunately, with creditors calling in their debts, a financial restructure had to take place to stop the club being the first county cricket club to enter administration. In 2016 the ECB bailed out Durham, in order for the club to pay its creditors (The Telegraph 2018). However, the club faced stiff penalties (relegation and deduction of points). This is a prime example of the risk county cricket clubs face if creditors call in their debts. Ultimately the majority of clubs could not afford to pay their creditors if debts were called in and Durham was the first club to succumb to this pressure.

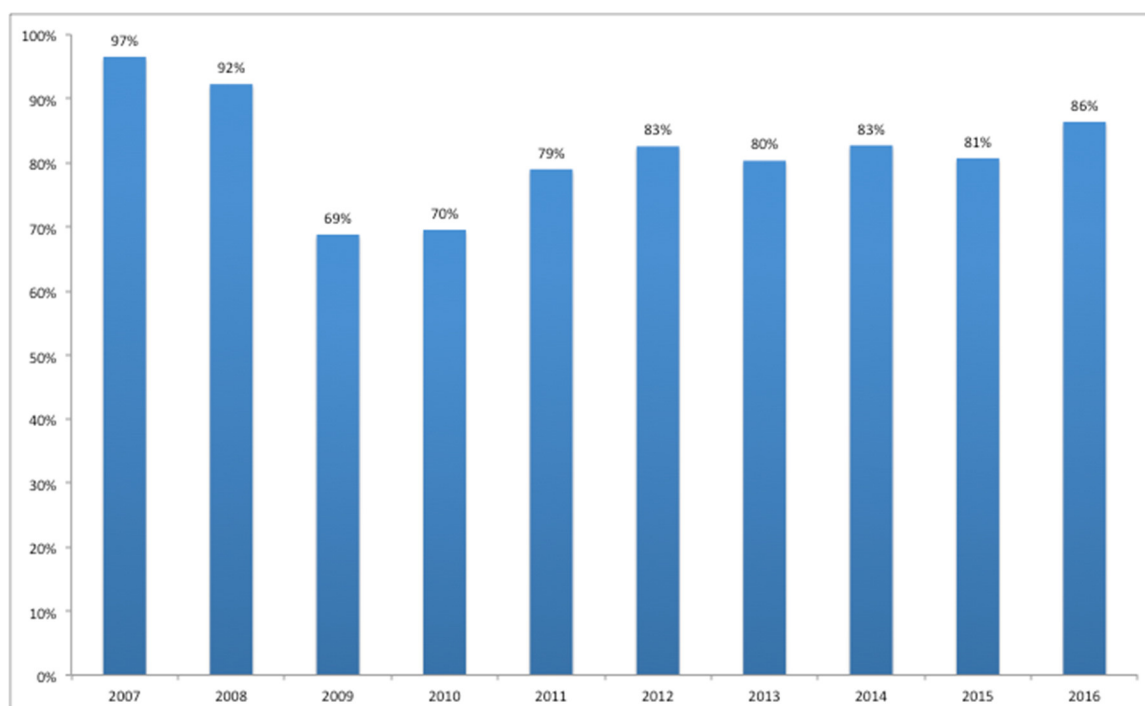


Figure 6. Durham's debt ratio 2007–2016.

5.3. How Does This Compare with 1997?

On the face of it, it appears as though the counties still have a problem with profitability and that debt (in relation to the absolute amounts on the balance sheets) has increased. The over-reliance on the ECB grant income is consistent if not more prominent now than it was in 1997, particularly for the 'non-international counties'. There have undoubtedly been positive developments in the game during the last 20 years such as the birth and growth of the T20 game and introducing the sport to younger people but there remains a problem with the financial health of some individual county clubs, particularly those that do not or cannot host Test cricket, which continues to be the pinnacle of the game from a sporting and commercial perspective.

5.4. What Can Cricket Do to Improve Its Position?

There are some positive developments taking place in cricket that can help the ECB and its county clubs to become financially sustainable including the new TV deal mentioned previously and the introduction of the new T20 franchise league due to begin in 2020. However, both of these come with *caveats*. If the TV deal allows the ECB to increase the central income to clubs, then is there a danger of clubs becoming more reliant on that than ever before. In relation to the T20 franchises, could such a system actually be of detriment to the 'smaller' non-international ground counties? The T20 city franchise will be positive for the counties who are going to host the teams, but could be negative for the ones that are not. For example, some of the small counties who rely on ECB income also rely on the income they generate through T20 matches. The new franchise league could take spectators away from the current T20 matches to the T20 franchise matches, starving the smaller counties of even more income and putting it in the pockets of the international ground counties.

It is not an easy problem to solve and the ECB will face challenges in the short and medium term in respect of county club finances. The county game still struggles with attendances and the best income stream for clubs at this point in time remains in hosting international Test match cricket. Indeed, the most recent figures released by Nottinghamshire for the year ending 2017 point to just this fact. The club made a pre-tax profit of £279,000 compared to a £741,000 loss in 2016 and chairman Richard Tennant stated that the change 'demonstrates the importance of hosting Test cricket at Trent Bridge' (BBC 2018). It is important that the ECB considers the financial situation of the non-

international hosting counties alongside the international hosting ones to avoid a situation where the county cricket system begins to be dominated financially by a select number of clubs.

The problems of cricket and its clubs in respect of financial mismanagement are not exclusive. Past research has already outlined individual problems at club level in English professional football (Buraimo et al. 2006), English rugby union (Wilson and Plumley 2017) and English rugby league (Wilson et al. 2015). Whilst the positives for cricket are that it has tried to counter some of the issues by pursuing aggressive strategies that have developed modified versions of their own game (such as T20), there is also a real danger of overkill in relation to adding more and more variants of essentially the same sport. There is little doubt that innovation has become necessary in professional team sport given the commercial gains to be made in a global sporting environment. However, the number of different formats offered by cricket could also dilute the product overall, which subsequently makes it difficult for clubs to manage competing cost centres. A further issue in professional cricket is that the international game is the pinnacle and players focus solely on making the English national team, often to the detriment of the county championship clubs.

6. Conclusions

This paper has effectively outlined that the county championship clubs are arguably as reliant on the central grant income from the ECB as they were 20 years ago. Whilst the ECB is undoubtedly trying to do the right thing by providing the clubs with this funding, there is a clear financial argument that clubs must become 'self-sufficient' without this income, under the proviso that it may not always be available. As such, the ECB and the counties need to work more closely together and be more strategic in their approach to growing participation, which, in turn, can help support spectator growth and revenue generation. Counties can achieve this by incentivising clubs financially to improve their community schemes and outreach activity, thus engaging actively with the next generation of cricket players and observers. There is the requirement of the league and its governing body to maintain a sustained level of competition amongst its member clubs in line with the theoretical determinants of what makes an attractive sports league considering the 'joint' production nature of professional team sports (see Dobson and Goddard 2011; Hogan et al. 2013; Neale 1964).

Whilst the 'joint' production nature of professional team sports is of prime importance, there is a need for the member clubs individually to support the governing body to achieve its objectives and for them to operate in a more prudent financial manner. Of equal importance, is the need for clubs to be more autonomous with facility use, thus increasing the opportunity for secondary spend and additional revenue. Wilson et al. (2015) stated a similar point in relation to rugby league clubs and the same is true for cricket. Some clubs have made positive strides in respect of utilising their grounds better for other events such as conferences and concerts and this must become the business model of the majority in the future. Indeed the reliance on central grants or subsidy is not unique to English cricket and is replicated, in some way in other sports. English Football League Clubs receive a solidarity payment for example, stemming from the English Premier League TV deal which supports the solvency of its member clubs. These payments however, come from their 'mother' league rather than the governing body. Professional sport teams can only earn revenue through three main streams and one of those (in respect of broadcasting revenue) is effectively unearned. As such, the importance of maximising matchday and commercial income (through additional secondary spend activities) is of a paramount importance in county cricket where the broadcasting fees have historically been low in comparison with other sports. A further disconnect in cricket, as evidenced by this paper, is the status held by being Counties holding International Test Matches hosting ground. Clubs often overstretch themselves financially in an attempt to secure Test Match status and we have seen the issues that this can cause financially in the case of Durham. Consequently, there is an argument that clubs should not focus on securing Test Match status and instead attempt to generate secondary revenue through engaging more in the local area linked to community and outreach schemes. Despite this view, it should also be recognised that the four day game has a very restricted demographic appeal and exists mainly to provide a production line for the national team rather than a standalone sport in its own right. The national team then reinvests the proceeds of Test matches and one day

internationals via the ECB. Clubs, quite rightly, may well see the grants from the ECB as a dividend for the work they put into player development.

This paper has provided a valuable contribution to the literature on the financial health of professional team sports and provides an update to the paper by Shibli and Wilkinson-Riddle in 1997. This paper also contributes to contemporary literature that has documented the issues in professional team sports in the UK in recent years such as football (e.g., Buraimo et al. 2006; Wilson et al. 2013), cricket (e.g., Shibli and Wilkinson-Riddle 1997), rugby union (e.g., Hogan et al. 2013; O'Brien and Slack 1999, 2003; Wilson and Plumley 2017) and rugby league (Wilson et al. 2015). The findings of this paper, in respect of poor financial health (by commercial standards) and the influence of governing body intervention are consistent with the findings of these authors.

The paper indicates that there remains a problem with the attractiveness of the county championship which is a product of questionable financial value at club level and reluctance by the ECB to force the clubs to become self-sustainable. The study focused on in-depth financial analysis of all county championship clubs and, unfortunately, the indicators outlined paint an austere picture. For example, in general terms, revenues are not high enough to generate sufficient growth within the game. Coupled with this is the fact that attendances, across all clubs, are stagnating in general terms. Furthermore, this reduced attendance does not encourage growth in revenue and therefore limits financial health, given that attendance figures are the main source of income generation for the majority of clubs.

In summary, with reference to cricket, the paper concludes that the county championship has not developed significantly, in business terms, since 1997. It would, however, be unfair to suggest that issues with financial performance are exclusive to county championship clubs and comparisons with other professional team sports will be evident. Indeed, other leagues do experience similar problems. Yet such comparisons to sports such as football are perhaps less relevant given that attendance figures and participation levels in that sport are the highest they have ever been. Additionally, the money associated with professional football in line with broadcasting deals and club income streams is a level far above county championship clubs at the present time. The results in this paper demonstrate that despite twenty years of history and a number of structural changes, in general terms, the clubs competing in the county championship are failing to generate profits, expand the supporter base or grow commercial revenues with a better national and international profile. The ECB and the clubs need to work closer together and the ECB should in actual fact be attempting to make the clubs self-sustainable rather than propping them up financially year-on-year.

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